

I. Introduction

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I. Introduction



I. Introduction

Introduction

ABA worked with City Staff and the City's bond financing consultants to identify the initial financing and funding strategies. Actual funding patterns for the Master Plan will be developed further at a later date. This information was developed by City Staff and their bond financing consultants and was presented by the same to the City Council on April 28, 2009.

The final Strategy was developed following direction from City Council on July 28, 2009 for the Final Master Plan Layout.



I. Introduction



II. Initial Financing/Funding Strategies

Financing and Funding Strategies

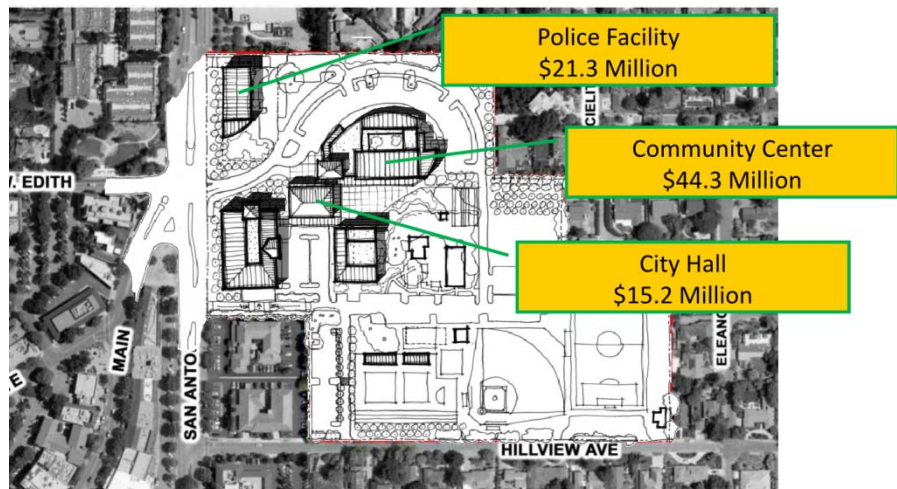
Known Information

It is clear that the financing model should follow the phasing as outlined in the project plan. This phasing is not only critical from a standpoint of construction logistics, but also comes into play when balancing fiscal capacity against available resources. In developing its financing plans, the City has taken the position that maintaining the integrity of the Master Plan is foundational in preserving the following key aspects of the plan:

- Connectivity To Downtown
- Addressing Community Needs Analysis
- Accommodating Parking
- Implementing desired Design & Aesthetic Values

This preliminary discussion of funding strategy highlights Phase I which specifically includes the Police Facility, Community Center, and City Hall for an accumulated cost of \$81 million. The costs of each of these Phase I component facilities is presented in the diagram below.

Preferred Scenario Architectural Concept – Conceptual Costs for Initial Phases of Work



In developing initial plans, the City desires, and has assumed, the internal self funding of City Hall construction costs (\$15 million) if the economy allows this to be sustainable. This would be accomplished through the use of existing facility reserve balances, the potential sales of surplus land parcels at remote sites, and internal financing supported by general city operations. Doing so would serve to mitigate the tax burden to the public for this portion of the project with a focus on self funding City administration facilities.

Staff continued with the development of funding scenarios for the balance of Phase I, or \$65 million, to be externally funded. For this



II. Initial Financing/ Funding Strategy

Financing and Funding Strategies

External Financing and Funding Strategy

balance, the potential funding sources are varied and can include the following models:

- Property Based Taxes/General Obligation Bonds
- Community Contributions & Fund Raising
- Parcel Tax

These external financing options are discussed further below.

As we look ahead to later phases of the project, our financing options expand when one considers potentially joining forces with Los Altos Hills in developments of mutual interest. This strategy would most likely entail a Parcel Tax under a two city model. Opportunities to join efforts with Los Altos Hills in later phases might include::

- Library
- Athletic Fields
- Swimming facilities
- Theatre

When considering the balance of Phase I, at a cost of \$65 Million for both the Police facility and Community Center. Staff has developed the following preliminary estimates based on the various funding mechanisms available to us:

General Obligation Bonds (GO) result in taxes based on assessed value of each parcel and include secured and unsecured property. Based upon a known average assessed value of \$775,000 for Los Altos residents, the costs of a GO bond to our community is estimated as follows:

- \$33 per year for each \$100,000 in assessed value
- \$6 Average Homeowner per week
- \$23 Average Homeowner per month
- \$275 Average homeowner per year

Assessed values generally increase while debt service is flat, therefore, tax rate will decrease over time

A **Parcel Tax** would entail a Flat annual tax to each property in Los Altos and/or Los Altos Hills if applicable. This approach would be best suited and is most likely when considering Phases II, III, IV ,involving developments of core joint interests. Under this approach, Los Altos and Los Altos Hills could have joint election for single parcel tax (similar to the North County Library Authority tax.)

It is key to note that flat rates per residence are traditionally harder to pass and are best applied to components of the Master Plan strategically along with key stakeholders in support of Library Services, education, athletics, and swimming.

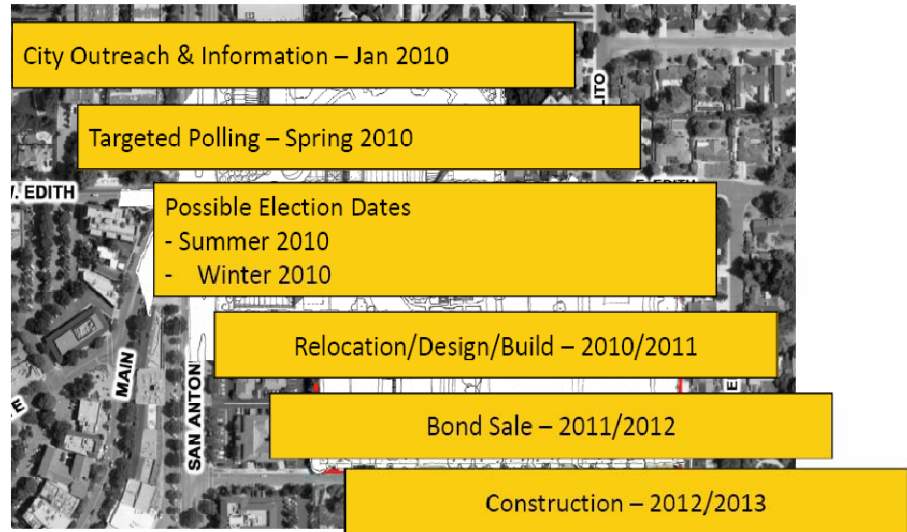


II. Initial Financing/Funding Strategies

Financing and Funding Strategies

*Preliminary Time Line for
Bond Campaign*

The following table outline potential calendar dates for proceeding if we assume a mid-year 2010 election.



II. Initial Financing/ Funding Strategy



III. Recommended Next Steps

Recommended Next Steps

The overall project costs have been documented in the Facility Scenario section of the Master Plan documents. The comprehensive project costs were established using a Conceptual Cost Model that clearly defined the assumptions used in their creation. These costs will need to be carefully reviewed and considered as the project moves forward.

Potential funding sources for the Master Plan beyond Phase 1 include:

- Bond Funding
- Parcel Tax
- Sale of City Assets

These options will need to be considered in detail for each Phase. Developing an overarching funding strategy for all phases of the Master Plan will be an important first step in understanding the funding options available for the life of the Master Plan project.

